

SAYDEL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Saydel Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Joel Godwin	President	2007
Buddy Hicks	Vice President	2007
Kirk Hartung	Board Member	2007
Brian Bowman	Board Member	2008
Paul Breitbarth	Board Member	2008
Ray Livingston	Board Member	2009
Melissa Sassman	Board Member	2009
Board of Education (After September 2007 Election)		
Joel Godwin	President	2010
Buddy Hicks	Vice President	2010
Brian Bowman	Board Member	2008
Paul Breitbarth	Board Member	2008
Ray Livingston	Board Member	2009
Melissa Sassman	Board Member	2009
Kirk Hartung	Board Member	2010
School Officials		
Dr. Debra Van Gorp	Superintendent	2008
Jennifer Jamison	Business Manager/ Board Treasurer	2008
Jane Prange	Board Secretary	2008
Brian Gruhn	Attorney	2008
Ahlers & Cooney, P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Saydel Community School District, Des Moines, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Saydel Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2009 on our consideration of Saydel Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and 39 through 40 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saydel Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Saydel Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- **Budget:** The State of Iowa legislatively approved an allowable growth factor of 4 percent for fiscal year 2008. The district's enrollment decreased by 34.6 students from 1,358.1 in fiscal year 2007 to 1,323.5 in fiscal year 2008. The decline in enrollment resulted in a 1.3 percent increase, or \$91,536 in new regular program funding.

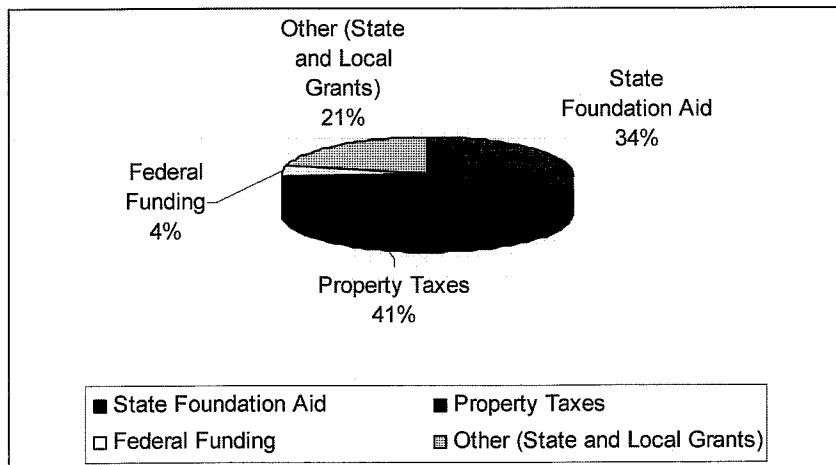
In April, 2007, the board approved a budget for fiscal year 2008 for all funds of \$21,505,652 (including transfers). In May and June 2008, the board approved budget amendments to expenditures of \$4.5 million, to increase all functional areas due to changes in accrual methods within the financial accounting software.

As in past years, the District continued to stay within its statutory budget in each of its legally required spending categories.

- **Revenue:** District-wide revenues were \$17,452,808, which primarily consisted of state aid, property taxes, federal grants, and sales taxes. General Fund revenues accounted for 75.1 percent of the District-wide revenue. Program specific revenues in the form of charges for services and grants and contributions, accounted for 23.2 percent of total fiscal year 2008 revenues.

The General Fund had \$13,113,265 in revenues for fiscal year 2008, which primarily consisted of state aid and property taxes. General Fund revenues increased from \$12,113,655 in fiscal year 2007 to \$13,113,265 in fiscal year 2008. The 8.3 percent increase in General Fund revenue was attributable to increases in state and federal resources and the sale of the bus fleet in fiscal year 2008.

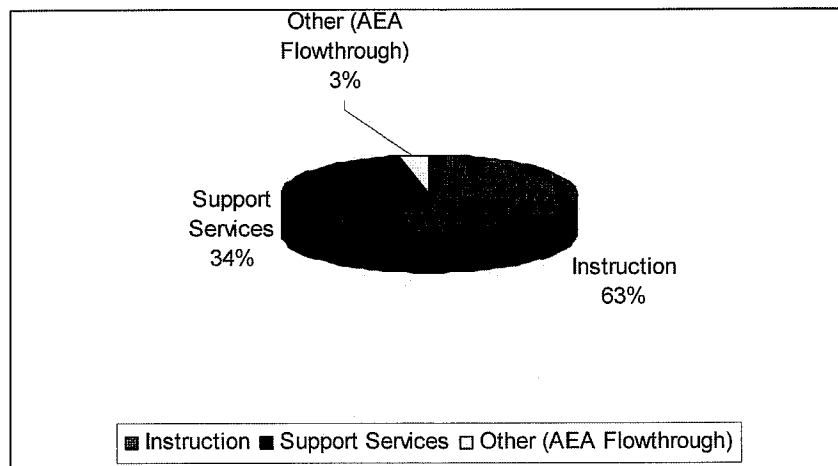
General Fund Revenues



- **Expenses:** The District had \$14,882,667 in expenses related to governmental activities, of which \$3,235,230 were offset by program specific charges for services or grants and contributions. General revenues of \$13,398,752 provided for the remaining cost of these programs.

The General Fund had \$13,096,172 in fiscal year 2008 expenses, which primarily consisted of instructional expenses. General Fund expenses increased from \$12,418,606 in fiscal 2007 to \$13,096,172 in fiscal year 2008. The increase in General Fund expenses was primarily because of increased spending on compensation in the instructional area and increases to support services due to outsourcing transportation and reclassification of HVAC preventive maintenance that had historically been charged to the Physical Plant and Equipment Levy (PPEL).

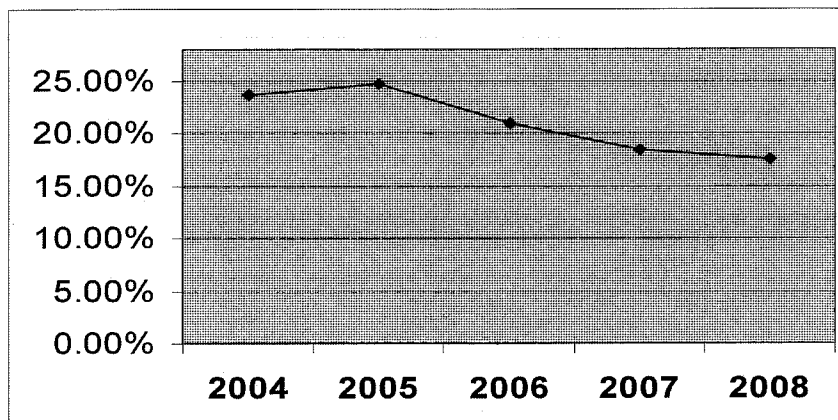
General Fund Expenditures



- **General Fund Balance and Solvency Ratio:** The District's overall General Fund balance increased from \$2,323,591 as of June 30, 2007 to \$2,340,684 as of June 30, 2008. However, the General Fund undesignated and unreserved portion of fund balance decreased from \$2,263,072 as of June 30, 2007 to \$2,237,736 as of June 30, 2008. This decrease is primarily because a larger proportion of the fund balance on June 30, 2008 was reserved for various state categorical funds.

The District's solvency ratio (unreserved-undesignated fund balance/General Fund revenues) decreased slightly from 18.7 percent to 17.5 percent in 2008.

Financial Solvency Ratio



The Board guidelines set a target of 10 percent for the District's solvency ratio. The Iowa Association of School Boards (IASB) considers a solvency ratio to be within "target" or "good" if it is within 5 percent – 10 percent and, therefore, "can handle the unexpected." Additionally, the IASB believes solvency ratio of 10 percent – 15 percent to be "excellent".

- **Debt:** The District's total long-term debt decreased by a net of \$1,825,000 during the current fiscal year. The total outstanding bond and notes debt at the end of the fiscal year is approximately \$6,275,000.

The Debt Service Fund balance decreased from \$3,328,115 in fiscal year 2007 to \$3,134,682 due to the principal and interest payment of general obligation and sales tax revenue bonds. The cash and pooled investments of the Debt Service Fund include cash held in a sinking fund and debt service fund at Bankers Trust per the bond covenant for the sales tax revenue bonds. Monthly revenues are transferred from the Capital Projects Fund to the Debt Service Fund for payment of principal and interest on the sales tax revenue bonds.

- **Capital Projects:** Revenues from sales taxes decreased from \$1,382,963 in fiscal year 2007 to \$1,290,210 in fiscal year 2008. The decrease was due to a decrease in the proportionate number of students enrolled at Saydel compared to the rest of Polk County. Expenses (including transfers out to debt service) increased from \$1,176,124 in fiscal year 2007 to \$1,267,408 in fiscal year 2008 due to increased expenses for facility improvements and increased debt service payments.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Saydel Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Saydel Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Saydel Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Saydel Community School District Annual Financial Report

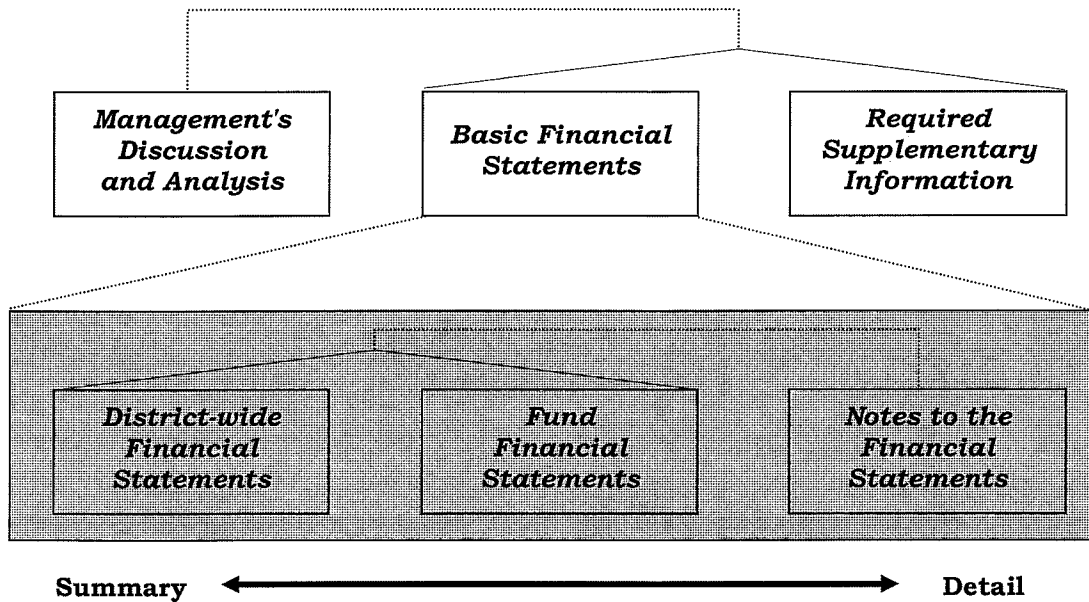


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Cornell Elementary Preschool Fund and the Eagles Nest Daycare Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 16,706,965	15,916,498	341,736	264,741	17,048,701	16,181,239	5.36%
Capital assets	11,845,248	11,906,128	138,091	106,278	11,983,339	12,012,406	-0.24%
Total assets	28,552,213	27,822,626	479,827	427,368	29,032,040	28,193,645	2.97%
Long-term obligations	6,713,669	8,389,231	0	0	6,713,669	8,389,231	-19.97%
Other liabilities	9,335,764	8,681,930	14,659	18,948	9,350,423	8,700,878	7.47%
Total liabilities	16,049,433	17,071,161	14,659	18,948	16,064,092	17,090,109	-6.00%
Net assets:							
Invested in capital assets, net of related debt	5,570,248	7,215,810	138,091	106,278	5,708,339	7,322,088	-22.04%
Restricted	4,813,367	1,272,583	0	0	4,813,367	1,272,583	278.24%
Unrestricted	2,119,165	2,263,072	327,077	302,142	2,446,242	2,565,214	-4.64%
Total net assets	\$ 12,502,780	10,751,465	465,168	408,420	12,967,948	11,159,885	16.20%

The District's combined net assets increased by 16.20 percent, or \$1,808,063, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$3,540,784, or 278.24 percent over the prior year. This increase is due to the reclassification of the Debt Service fund balance of \$3,134,682 from the invested in capital assets, net of related debt to the restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$118,972, or 4.64 percent.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,418,491	1,367,372	460,488	460,118	1,878,979	1,827,490	2.82%
Operating grants and contributions and restricted interest	1,816,739	1,357,551	350,324	300,917	2,167,063	1,658,468	30.67%
General revenues:							
Property tax	7,041,450	6,649,531	0	0	7,041,450	6,649,531	5.89%
Local option sales and services tax	1,290,210	1,382,963	0	0	1,290,210	1,382,963	-6.71%
Unrestricted state grants	4,428,087	4,496,528	0	0	4,428,087	4,496,528	-1.52%
Other	639,005	500,846	8,014	9,514	647,019	510,360	26.78%
Transfers	0	(27,626)	0	0	0	(27,626)	100.00%
Total revenues	16,633,982	15,727,165	818,826	770,549	17,452,808	16,497,714	5.79%
Program expenses:							
Governmental activities:							
Instructional	8,540,091	8,570,997	0	0	8,540,091	8,570,997	-0.36%
Support services	4,765,777	4,721,643	0	0	4,765,777	4,721,643	0.93%
Non-instructional programs	0	0	762,078	724,115	762,078	724,115	5.24%
Other expenses	1,576,799	1,294,535	0	0	1,576,799	1,294,535	21.80%
Total expenses	14,882,667	14,587,175	762,078	724,115	15,644,745	15,311,290	2.18%
Change in net assets	1,751,315	1,139,990	56,748	46,434	1,808,063	1,186,424	52.40%
Beginning net assets	10,751,465	9,611,475	408,420	361,986	11,159,885	9,973,461	11.90%
Ending net assets	\$ 12,502,780	10,751,465	465,168	408,420	12,967,948	11,159,885	16.20%

In fiscal 2008, property tax, local option sales and services tax and unrestricted state grants account for 76.71 percent of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.02 percent of the revenue from business type activities.

The District's total revenues were approximately \$17.45 million of which \$16.63 million was for governmental activities and less than \$0.82 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.79 percent increase in revenues and a 2.18 percent increase in expenses. The increase in expenses is related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$16,633,982 and expenses were \$14,882,667.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 8,540,091	8,570,997	-0.36%	5,754,191	6,274,100	-8.29%
Support services	4,765,777	4,721,643	0.93%	4,755,544	4,717,031	0.82%
Other expenses	1,576,799	1,294,535	21.80%	1,137,702	871,121	30.60%
Totals	<u>\$ 14,882,667</u>	<u>14,587,175</u>	<u>2.03%</u>	<u>11,647,437</u>	<u>11,862,252</u>	<u>-1.81%</u>

- The cost financed by users of the District's programs was \$1,418,491.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,816,739.
- The net cost of governmental activities was financed with \$7,041,450 in property tax, \$1,290,210 in local option sales and services tax, \$4,428,087 in unrestricted state grants, \$269,540 in interest income and \$369,465 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$818,826 and expenses were \$762,078. The District's business-type activities include the School Nutrition Fund, the Cornell Elementary Preschool, and the Eagles Nest Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Saydel Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,444,708, above last year's ending fund balances of a \$7,331,492. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to increase in the Physical Plant and Equipment Levy Fund balance.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2008 increased 8.25 percent, or \$999,610, as compared to one year ago. The expenses, which were in prior year higher than the revenues, continued to increase rising by 5.46 percent, or \$677,566. The revenues over expenses in the amount of \$17,093 ensured the financial position of the General Fund would increase.
- The Management Levy Fund balance decreased from \$969,014 in fiscal 2007 to \$934,126 in fiscal 2008. The decrease in property tax monies received by the District as compared to fiscal 2007 ensured that the Management Levy Fund would decrease in fund balance. The revenues received in fiscal 2008 (\$366,043) for the Management Levy Fund was less than expenditures (\$400,931). This balance will be used in the future for early retirement incentives and property insurance.
- The Physical Plant and Equipment Levy Fund balance increased from \$442,892 in fiscal 2007 to \$779,340 in fiscal 2008. The increase is due to the revenues exceeding expenses by \$291,534.

-
- The Debt Service Fund balance decreased from \$3,328,115 in fiscal 2007 to \$3,134,682 in fiscal 2008. The decrease is due to the increased bond payments during the year.
 - The Capital Projects Fund balance increased from \$178,491 in fiscal 2007 to \$208,989 in fiscal 2008. This was partially due to the revenues exceeding expenses during the year.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$408,420 at June 30, 2007 to \$465,168 at June 30, 2008, representing an increase of 13.89 percent.

BUDGETARY HIGHLIGHTS

Over the course of the year, Saydel Community School District amended its annual budget twice to reflect additional expenditures associated with all functional areas.

The District's revenues were \$187,040 more than budgeted revenues, a variance of 1.10 percent. The most significant variance resulted from the District receiving more in federal source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In light of changes made to the accounting system and the accrual process, the District amended budgeted disbursements twice by a total of \$4,500,000 in all functional areas to assure that the statutory budget would not be exceeded.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$12.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of less than 1.00 percent from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$824,126.

The original cost of the District's capital assets was \$29.81 million. Governmental funds account for \$29.55 million with the remainder of \$.26 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,006,130 at June 30, 2007, compared to \$1,199,458 reported at June 30, 2008. This increase resulted from machinery and equipment purchases during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Buildings	10,094,845	10,251,737	0	0	10,094,845	10,251,737	-1.55%
Land improvements	681,536	747,039	0	0	681,536	747,039	-9.61%
Machinery and equipment	1,061,367	899,852	138,091	106,278	1,199,458	1,006,130	16.12%
Total	<u>\$ 11,845,248</u>	<u>11,906,128</u>	<u>138,091</u>	<u>106,278</u>	<u>11,983,339</u>	<u>12,012,406</u>	<u>-0.24%</u>

Long-Term Debt

At June 30, 2008, the District had \$6,713,669 in general obligation bonds payable, revenue bonds payable, compensated absences and early retirement payable. This represents a decrease of 19.97 percent from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$3,525,000 at June 30, 2008.

The District had outstanding revenue bonded indebtedness of \$2,750,000 at June 30, 2008.

The District had compensated absences payable from the General Fund of \$45,064 as of June 30, 2008.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy of \$393,605 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 3,525,000	4,025,000	-12.42%
Revenue bonds	2,750,000	4,075,000	-32.52%
Compensated absences	45,064	0	100.00%
Early Retirement	393,605	289,231	36.09%
Totals	<u>\$ 6,713,669</u>	<u>8,389,231</u>	<u>-19.97%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- District enrollment declined from October 2007 to October 2008 by 80 students, or 6.4 percent. Therefore, the regular program cost for fiscal year 2008 will decline by approximately \$170,332, but with a 101 percent budget guarantee of \$245,324, the District will realize an increase in the regular program cost of \$74,992.
- During fiscal year 2009, the Governor announced an across-the-board cut to state aid and categorical funding. The impact of the 1.5 percent cut was a reduction in state aid of \$89,759,

Instructional Support Levy of \$373, Teacher Quality funds of \$8,535, Phase I of \$563, and Phase II of \$1,636.

- The legislature is currently in session, and a proposal is currently being debated to reduce state funding of allowable growth by 2 percent, which would result in a decrease to the District's budget of \$243,455.
- The tax rate of the district remains one of the lowest if not the lowest school district tax rate in Polk County. This is due in large part to the commercial tax base within the district. In fiscal year 2008, commercial and industrial property amounted to nearly 65 percent of the total taxable valuation in the district. Residential and agricultural valuations account for most of the other 35 percent of taxable valuations. This is a very favorable tax base for the District because of the fact that commercial and industrial property is usually taxed at or very near 100 percent of its value. Residential and agricultural land, on the other hand, has a rollback in place so that neither class of property will grow faster than the other. The result is a residential rollback that taxes property at only 44 percent of its assessed value and agricultural land at 90 percent of its assessed value. Thus, a higher commercial and industrial tax base generates more revenue per dollar of assessed value than residential or agricultural land.
- It remains a concern for the District that the overall student population has seen a decline, but it is hoped that the planned-for, additional, affordable housing in the area will become a reality in the near future. It is not unreasonable to assume that at least a portion of the housing would be purchased by those with school age families. Saydel CSD has a traditionally stable population, often seeing those educated here remain in the District after graduation, and the additional housing is seen as an opportunity to help keep the enrollment numbers in a more stable position.
- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- In an effort to ensure the efficient use of all resources, the District maintains a conservative approach to budgeting. It may also be worth noting that no matter the funding source, whether the state or individual taxpayers, any funds budgeted for are never fully received, hence encouraging the conservative approach. Even given the concerns, it is the belief that the overall financial health of the District will remain stable.
- In December 2008, the Board of Directors approved adding air conditioning and lighting improvements district-wide. The cost of the project is an estimated \$6.9 million. Also in December 2008, voters approved a Revenue Purpose Statement giving authorization on the uses of the existing Local Option Sales Tax in Polk County and the new Statewide School Infrastructure Sales Tax beginning in 2011. In January 2009 the board approved issuance of \$7,930,000 in Sales Tax Revenue Bonds to be paid back with proceeds of the Sales Tax over the next 20 years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Jamison, District Treasurer and Business Manager, Saydel Community School District, 5740 NE 14th St, Des Moines, Iowa, 50313.

BASIC FINANCIAL STATEMENTS

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,260,921	325,787	8,586,708
Receivables:			
Property tax:			
Delinquent	121,195	0	121,195
Succeeding year	7,801,542	0	7,801,542
Interfund	350	0	350
Due from other governments	522,357	890	523,247
Inventories	0	15,059	15,059
Prepaid expenses	600	0	600
Capital assets, net of accumulated depreciation (Note 5)	11,845,248	138,091	11,983,339
TOTAL ASSETS	28,552,213	479,827	29,032,040
LIABILITIES			
Interfund payable	4,866	(4,866)	0
Accounts payable	397,865	2,394	400,259
Salaries and benefits payable	1,057,984	11,444	1,069,428
Accrued interest payable	73,507	0	73,507
Deferred revenue:			
Succeeding year property tax	7,801,542	0	7,801,542
Unearned revenue	0	5,687	5,687
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	525,000	0	525,000
Revenue bonds payable	875,000	0	875,000
Compensated absences	45,064	0	45,064
Early retirement payable	168,805	0	168,805
Portion due after one year:			
General obligation bonds payable	3,000,000	0	3,000,000
Revenue bonds payable	1,875,000	0	1,875,000
Early retirement payable	224,800	0	224,800
TOTAL LIABILITIES	16,049,433	14,659	16,064,092
NET ASSETS			
Invested in capital assets, net of related debt	5,570,248	138,091	5,708,339
Restricted for:			
Beginning teacher mentoring	2,628	0	2,628
Salary improvement program	21,764	0	21,764
Additional teacher contract day	2,221	0	2,221
Market factor	9,294	0	9,294
Early childhood programs grant	35,018	0	35,018
Model core curriculum	1,300	0	1,300
Professional development	20,986	0	20,986
Market factor incentives	9,737	0	9,737
Management levy	540,521	0	540,521
Physical plant and equipment levy	779,340	0	779,340
Capital projects	208,989	0	208,989
Debt service	3,134,682	0	3,134,682
Other special revenue purposes	46,887	0	46,887
Unrestricted	2,119,165	327,077	2,446,242
TOTAL NET ASSETS	\$ 12,502,780	465,168	12,967,948

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,641,040	1,081,276	1,289,154	(2,270,610)	0	(2,270,610)
Special instruction	2,301,942	121,009	73,908	(2,107,025)	0	(2,107,025)
Other instruction	1,597,109	216,206	4,347	(1,376,556)	0	(1,376,556)
	8,540,091	1,418,491	1,367,409	(5,754,191)	0	(5,754,191)
Support services:						
Student services	453,598	0	0	(453,598)	0	(453,598)
Instructional staff services	348,107	0	0	(348,107)	0	(348,107)
Administration services	1,676,085	0	0	(1,676,085)	0	(1,676,085)
Operation and maintenance of plant services	1,551,177	0	0	(1,551,177)	0	(1,551,177)
Transportation services	736,810	0	10,233	(726,577)	0	(726,577)
	4,765,777	0	10,233	(4,755,544)	0	(4,755,544)
Other expenditures:						
Facilities and acquisitions	263,278	0	0	(263,278)	0	(263,278)
Judgements against the LEA	3,400	0	0	(3,400)	0	(3,400)
Long-term debt interest	276,293	0	0	(276,293)	0	(276,293)
AEA flowthrough	439,097	0	439,097	0	0	0
Depreciation(unallocated)*	594,731	0	0	(594,731)	0	(594,731)
	1,576,799	0	439,097	(1,137,702)	0	(1,137,702)
Total governmental activities	14,882,667	1,418,491	1,816,739	(11,647,437)	0	(11,647,437)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	661,483	344,347	350,324	0	33,188	33,188
Other business-type activities	100,595	116,141	0	0	15,546	15,546
Total business-type activities	762,078	460,488	350,324	0	48,734	48,734
Total	\$ 15,644,745	1,878,979	2,167,063	(11,647,437)	48,734	(11,598,703)
General Revenues:						
Local tax for:						
General purposes				\$ 5,509,498	0	5,509,498
Debt service				669,201	0	669,201
Capital outlay				862,751	0	862,751
Local option sales and services tax				1,290,210	0	1,290,210
Unrestricted state grants				4,428,087	0	4,428,087
Unrestricted investment earnings				269,540	8,014	277,554
Other				369,465	0	369,465
Total general revenues				13,398,752	8,014	13,406,766
Change in net assets				1,751,315	56,748	1,808,063
Net assets beginning of year				10,751,465	408,420	11,159,885
Net assets end of year				\$ 12,502,780	465,168	12,967,948

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue:					Total
	General	Management Levy	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	
ASSETS						
Cash and pooled investments	\$ 3,057,173	929,640	1,056,064	3,123,070	94,974	8,260,921
Receivables:						
Property tax:						
Delinquent	89,684	5,144	14,849	11,518	0	121,195
Succeeding year	5,753,009	420,000	953,078	675,455	0	7,801,542
Interfund	241,695	0	0	0	0	241,695
Due from other governments	345,181	42	121	94	176,919	522,357
Prepaid expenses	600	0	0	0	0	600
TOTAL ASSETS	\$ 9,487,342	1,354,826	2,024,112	3,810,137	271,893	16,948,310
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 4,866	0	241,125	0	220	246,211
Accounts payable	330,799	700	50,569	0	15,797	397,865
Salaries and benefits payable	1,057,984	0	0	0	0	1,057,984
Deferred revenue:						
Succeeding year property tax	5,753,009	420,000	953,078	675,455	0	7,801,542
Total liabilities	7,146,658	420,700	1,244,772	675,455	16,017	9,503,602
Fund balances:						
Reserved for:						
Beginning teacher mentoring	2,628	0	0	0	0	2,628
Salary improvement program	21,764	0	0	0	0	21,764
Additional teacher contract day	2,221	0	0	0	0	2,221
Market factor	9,294	0	0	0	0	9,294
Early childhood programs grant	35,018	0	0	0	0	35,018
Model core curriculum	1,300	0	0	0	0	1,300
Professional development	20,986	0	0	0	0	20,986
Market factor incentives	9,737	0	0	0	0	9,737
Debt service	0	0	0	3,134,682	0	3,134,682
Unreserved:						
General	2,237,736	0	0	0	0	2,237,736
Management levy	0	934,126	0	0	0	934,126
Physical plant and equipment levy	0	0	779,340	0	0	779,340
Capital projects	0	0	0	0	208,989	208,989
Student activity	0	0	0	0	46,887	46,887
Total fund balances	2,340,684	934,126	779,340	3,134,682	255,876	7,444,708
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,487,342	1,354,826	2,024,112	3,810,137	271,893	16,948,310

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 19)	\$ 7,444,708
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	11,845,248
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(73,507)
Long-term liabilities, including general obligation bonds payable, revenues bonds payable, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,713,669)</u>
Net assets of governmental activites (page 17)	<u><u>\$ 12,502,780</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue:					Total
	General	Management Levy	Physical Plant and Equipment Levy	Debt Service	Other Nonmajor Governmental Funds	
REVENUES:						
Local sources:						
Local tax	\$ 5,210,620	298,878	862,751	669,201	1,290,210	8,331,660
Tuition	1,199,455	0	0	0	0	1,199,455
Other	149,902	67,028	31,777	92,405	224,228	565,340
Intermediate sources	27,498	0	0	0	0	27,498
State sources	5,686,390	137	397	308	0	5,687,232
Federal sources	496,500	0	0	0	0	496,500
Total revenues	12,770,365	366,043	894,925	761,914	1,514,438	16,307,685
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	4,649,701	116,166	0	0	0	4,765,867
Special instruction	2,226,733	0	0	0	0	2,226,733
Other instruction	1,301,115	0	0	0	260,722	1,561,837
	8,177,549	116,166	0	0	260,722	8,554,437
Support services:						
Student services	445,978	2,863	0	0	3,709	452,550
Instructional staff services	365,712	0	0	0	0	365,712
Administration services	1,644,564	0	0	0	0	1,644,564
Operation and maintenance of plant services	1,271,801	264,831	0	0	0	1,536,632
Transportation services	751,471	13,671	0	0	0	765,142
	4,479,526	281,365	0	0	3,709	4,764,600
Other expenditures:						
Facilities acquisitions	0	0	558,477	0	92,648	651,125
Judgements against the LEA	0	3,400	0	0	0	3,400
Long-term debt:						
Principal	0	0	0	1,825,000	0	1,825,000
Interest and fiscal charges	0	0	0	299,710	0	299,710
AEA flowthrough	439,097	0	0	0	0	439,097
	439,097	3,400	558,477	2,124,710	92,648	3,218,332
Total expenditures	13,096,172	400,931	558,477	2,124,710	357,079	16,537,369
Excess(deficiency) of revenues over(under) expenditures	(325,807)	(34,888)	336,448	(1,362,796)	1,157,359	(229,684)
Other financing sources(uses):						
Transfers in	0	0	0	1,174,760	5,397	1,180,157
Transfers out	0	0	0	(5,397)	(1,174,760)	(1,180,157)
Sale of equipment	342,900	0	0	0	0	342,900
Total other financing sources(uses)	342,900	0	0	1,169,363	(1,169,363)	342,900
Net change in fund balances	17,093	(34,888)	336,448	(193,433)	(12,004)	113,216
Fund balance beginning of year	2,323,591	969,014	442,892	3,328,115	267,880	7,331,492
Fund balance end of year	\$ 2,340,684	934,126	779,340	3,134,682	255,876	7,444,708

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 21) \$ 113,216

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal of assets in the year are as follows:

Capital outlays	\$ 761,181	
Depreciation expense	(805,458)	
Loss on disposal of capital assets	<u>(16,603)</u>	(60,880)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets 1,825,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 23,417

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$ (45,064)	
Early retirement	<u>(104,374)</u>	<u>(149,438)</u>

Changes in net assets of governmental activities (page 18) \$ 1,751,315

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	School Nutrition	Cornell Elem.	Eagles Nest	Total
ASSETS				
Cash and cash equivalents	\$ 216,172	39,764	69,851	325,787
Interfund receivable	4,866	0	0	4,866
Due from other governments	890	0	0	890
Inventories	15,059	0	0	15,059
Capital assets, net of accumulated depreciation (Note 5)	138,091	0	0	138,091
TOTAL ASSETS	375,078	39,764	69,851	484,693
LIABILITIES				
Accounts payable	2,394	0	0	2,394
Salaries and benefits payable	0	0	11,444	11,444
Unearned revenue	5,687	0	0	5,687
TOTAL LIABILITIES	8,081	0	11,444	19,525
NET ASSETS				
Invested in capital assets	138,091	0	0	138,091
Unrestricted	228,906	39,764	58,407	327,077
TOTAL NET ASSETS	\$ 366,997	39,764	58,407	465,168

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Cornell Elem.	Eagles Nest	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 344,347	14,630	101,511	460,488
TOTAL OPERATING REVENUES	344,347	14,630	101,511	460,488
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	235,418	0	75,757	311,175
Benefits	62,720	0	10,050	72,770
Services	11,213	0	0	11,213
Supplies	333,464	836	13,952	348,252
Depreciation	18,668	0	0	18,668
TOTAL OPERATING EXPENSES	661,483	836	99,759	762,078
OPERATING INCOME (LOSS)	(317,136)	13,794	1,752	(301,590)
NON-OPERATING REVENUES:				
State sources	7,175	0	0	7,175
Federal sources	343,149	0	0	343,149
Interest on investments	3,871	1,318	2,825	8,014
TOTAL NON-OPERATING REVENUES	354,195	1,318	2,825	358,338
Change in net assets	37,059	15,112	4,577	56,748
Net assets beginning of year	329,938	24,652	53,830	408,420
Net assets end of year	\$ 366,997	39,764	58,407	465,168

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Cornell Elem.	Eagles Nest	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 321,742	0	0	321,742
Cash received from miscellaneous	24,057	14,630	101,511	140,198
Cash payments to employees for services	(298,138)	0	(82,146)	(380,284)
Cash payments to suppliers for goods or services	(305,577)	(7,440)	(14,010)	(327,027)
Net cash provided by(used in) operating activities	(257,916)	7,190	5,355	(245,371)
Cash flows from non-capital financing activities:				
Borrowings due from General Fund	(4,866)	0	0	(4,866)
State grants received	7,175	0	0	7,175
Federal grants received	304,814	0	0	304,814
Net cash provided by non-capital financing activities	307,123	0	0	307,123
Cash flows from capital and related financing activities:				
Purchase of capital assets	(50,481)	0	0	(50,481)
Cash flows from investing activities:				
Interest on investments	3,871	1,318	2,825	8,014
Net increase in cash and cash equivalents	2,597	8,508	8,180	19,285
Cash and cash equivalents at beginning of year	213,575	31,256	61,671	306,502
Cash and cash equivalents at end of year	\$ 216,172	39,764	69,851	325,787
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (317,136)	13,794	1,752	(301,590)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:				
Commodities consumed	38,611	0	0	38,611
Depreciation	18,668	0	0	18,668
Increase in inventories	(1,637)	0	0	(1,637)
Increase(Decrease) in accounts payable	2,126	(6,604)	(58)	(4,536)
Increase in salaries and benefits payable	0	0	3,661	3,661
Increase in unearned revenue	1,452	0	0	1,452
Net cash provided by(used in) operating activities	\$ (257,916)	7,190	5,355	(245,371)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 216,172	39,764	69,851	325,787

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$38,611.

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	Private Purpose Trust Scholarship
ASSETS	
Cash and pooled investments	\$ 28,928
LIABILITIES	
Interfund payable	350
NET ASSETS	
Reserved for scholarships	\$ 28,578

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 1,072
Other	100
Total additions	<u>1,172</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>450</u>
Change in net assets	722
Net assets beginning of year	<u>27,856</u>
Net assets end of year	<u><u>\$ 28,578</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SAYDEL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Saydel Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Des Moines, Iowa, and the predominate agricultural territory in Polk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Saydel Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Saydel Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Physical Plant and Equipment Levy Fund is utilized to account for building improvements and equipment purchases.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the School Nutrition Fund, Cornell Elementary Preschool Fund, and Eagles Nest Daycare Fund. The Nutrition fund is used to account for

the food service operations of the District. The Cornell Elementary Preschool Fund is used to account for the preschool operations of the District. The Eagles Nest Daycare fund is used to account for the daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year, the District adopted two budget amendments increasing budgeted expenditures by \$4,500,000.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter

provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 741,580</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,174,760
Capital Projects	Debt Service	<u>5,397</u>
Total		<u>\$ 1,180,157</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
	Special Revenue:	
	Physical Plant and	
General	Equipment Levy	\$ 241,125
	Private Purpose	
General	Trust	350
	Special Revenue:	
General	Student Activity	220
Enterprise, School Nutrition	General	4,866
Total		<u>\$ 246,561</u>

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 215,106	50,481	1,424	264,163
Less accumulated depreciation	108,828	18,668	1,424	126,072
Business-type activities capital assets, net	<u>\$ 106,278</u>	<u>31,813</u>	<u>0</u>	<u>138,091</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	0	0	7,500
Total capital assets not being depreciated	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>7,500</u>

Capital assets being depreciated:				
Buildings	24,904,065	362,500	0	25,266,565
Land improvements	1,502,613	9,836	0	1,512,449
Machinery and equipment	2,422,508	388,845	53,682	2,757,671
Total capital assets being depreciated	<u>28,829,186</u>	<u>761,181</u>	<u>53,682</u>	<u>29,536,685</u>

Less accumulated depreciation for:				
Buildings	14,652,328	519,392	0	15,171,720
Land improvements	755,574	75,339	0	830,913
Machinery and equipment	1,522,656	210,727	37,079	1,696,304
Total accumulated depreciation	<u>16,930,558</u>	<u>805,458</u>	<u>37,079</u>	<u>17,698,937</u>

Total capital assets being depreciated, net	<u>11,898,628</u>	<u>(44,277)</u>	<u>16,603</u>	<u>11,837,748</u>
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Governmental activities capital assets, net	<u>\$ 11,906,128</u>	<u>(44,277)</u>	<u>16,603</u>	<u>11,845,248</u>
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Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 140,323
Special	11,459

Support services:

Student	2,898
Instructional staff	6,339
Administration	25,191
Operation and maintenance of plant	10,861
Transportation	13,656

210,727

Unallocated depreciation

594,731

Total governmental activities depreciation expense

\$ 805,458

Business-type activities:

Food service operations	\$ 18,668
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,025,000	0	500,000	3,525,000	525,000
Revenue bonds	4,075,000	0	1,325,000	2,750,000	875,000
Compensated absences	0	45,064	0	45,064	45,064
Early retirement	289,231	214,149	109,775	393,605	168,805
Total	\$ 8,389,231	259,213	1,934,775	6,713,669	1,613,869

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonds, which is paid with property taxes levied in the Debt Service Fund, are as follows:

Year Ending June 30,	Bond Issue of January 1, 1999	Interest Rates	Principal	Interest	Total
2009	4.25	% \$	525,000	150,455	675,455
2010	4.25		545,000	128,143	673,143
2011	4.25		570,000	104,980	674,980
2012	4.25		600,000	80,755	680,755
2013	4.30		635,000	55,255	690,255
2014	4.30		650,000	27,950	677,950
Total			\$ 3,525,000	547,538	4,072,538

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness, which is paid with

Local Option Sales and Services Tax reported in the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of September 1, 2002				
	Interest Rates		Principal	Interest	Total
2009	3.30	% \$	875,000	82,425	957,425
2010	3.55		925,000	51,569	976,569
2011	3.70		950,000	17,575	967,575
Total			\$ 2,750,000	151,569	2,901,569

The District has pledged future local option sales and services tax revenues to repay the \$6,725,000 in bonds issued September 2002 and the \$475,000 in bonds issued August 2004. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. With the final payment of the August 2004 bonds completed, the annual principal and interest payments on the bonds are expected to require 74.2% of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$2,901,569. For the current year, principal and interest of \$1,441,737 was paid on the bonds and total local option sales and services tax revenues were \$1,290,210.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$672,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be over the age of fifty-five, must have completed ten years of full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is calculated upon 85 percent of the difference between the salary schedule

base and the licensed employee's current salary, less supplemental pay or extended contract pay, plus the cost to the school district for providing continuing coverage under the school district's group insurance plan until the licensed employee uses up their reserve. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$449,414, \$419,887 and \$403,181 respectively, equal to the required contributions for each year.

(8) Risk Management

Saydel Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$439,097 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 10,096,455	468,502	10,564,957	10,886,993	10,886,993	(322,036)
Intermediate sources	27,498	0	27,498	1,000	1,000	26,498
State sources	5,687,232	7,175	5,694,407	5,501,478	5,501,478	192,929
Federal sources	496,500	343,149	839,649	550,000	550,000	289,649
Total revenues	16,307,685	818,826	17,126,511	16,939,471	16,939,471	187,040
Expenditures:						
Instruction	8,554,437	0	8,554,437	9,274,037	11,274,037	2,719,600
Support services	4,764,600	0	4,764,600	6,454,000	7,454,000	2,689,400
Non-instructional programs	0	762,078	762,078	923,000	1,423,000	660,922
Other expenditures	3,218,332	0	3,218,332	3,454,615	4,454,615	1,236,283
Total expenditures	16,537,369	762,078	17,299,447	20,105,652	24,605,652	7,306,205
Excess(deficiency) of revenues over(under) expenditures	(229,684)	56,748	(172,936)	(3,166,181)	(7,666,181)	(7,493,245)
Other financing sources, net	342,900	0	342,900	0	0	(342,900)
Excess(deficiency) of revenues over(under) expenditures and other financing uses	113,216	56,748	169,964	(3,166,181)	(7,666,181)	(7,836,145)
Balance beginning of year	7,331,492	408,420	7,739,912	5,802,885	5,802,885	1,937,027
Balance end of year	\$ 7,444,708	465,168	7,909,876	2,636,704	(1,863,296)	9,773,172

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted two budget amendments increasing budgeted expenditures by \$4,500,000.

OTHER SUPPLEMENTARY INFORMATION

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue:	Capital	
	Student	Projects	Total
	Activity		
ASSETS			
Cash and pooled investments	\$ 62,904	32,070	94,974
Due from other governments	0	176,919	176,919
TOTAL ASSETS	\$ 62,904	208,989	271,893
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund payable	\$ 220	0	220
Accounts payable	15,797	0	15,797
	16,017	0	16,017
Fund balances:			
Unreserved:			
Undesignated	46,887	208,989	255,876
Total fund balances	46,887	208,989	255,876
TOTAL LIABILITIES AND FUND BALANCES	\$ 62,904	208,989	271,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue: Student Activity	Capital Projects	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	1,290,210	1,290,210
Other	221,929	2,299	224,228
TOTAL REVENUES	221,929	1,292,509	1,514,438
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	260,722	0	260,722
Support services:			
Instructional staff services	3,709	0	3,709
Other expenditures:			
Facilities acquisitions	0	92,648	92,648
TOTAL EXPENDITURES	264,431	92,648	357,079
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,502)	1,199,861	1,157,359
OTHER FINANCING SOURCES (USES):			
Transfer in	0	5,397	5,397
Transfer out	0	(1,174,760)	(1,174,760)
TOTAL OTHER FINANCING SOURCES (USES)	0	(1,169,363)	(1,169,363)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(42,502)	30,498	(12,004)
FUND BALANCE BEGINNING OF YEAR	89,389	178,491	267,880
FUND BALANCE END OF YEAR	\$ 46,887	208,989	255,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Drama	\$ 4,363	3,365	6,462	1,266
HS Band	565	895	805	655
HS Athletics	15,961	125,123	129,159	11,925
Class 2006	2,945	0	0	2,945
Class 2007	1,174	0	1,607	(433)
Class 2008	1,690	4,462	4,437	1,715
Class 2009	290	2,620	1,278	1,632
Other HS Accounts	42,378	48,210	69,210	21,378
Woodside Accounts	14,908	29,647	47,007	(2,452)
Cornell Accounts	624	2,079	2,433	270
Norwoodville Accounts	1,087	5,012	2,928	3,171
Interest	3,404	516	(895)	4,815
Total	\$ 89,389	221,929	264,431	46,887

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 8,331,660	8,032,494	7,317,531	8,014,844	7,321,833
Tuition	1,199,455	1,203,159	1,009,642	877,047	831,183
Other	565,340	665,059	686,507	428,360	340,121
Intermediate sources	27,498	0	60	2,121	5,402
State sources	5,687,232	5,576,309	5,503,088	5,555,709	5,634,457
Federal sources	496,500	277,770	299,414	296,225	229,517
Total	<u>\$ 16,307,685</u>	<u>15,754,791</u>	<u>14,816,242</u>	<u>15,174,306</u>	<u>14,362,513</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 4,765,867	4,764,872	4,126,410	4,054,942	3,898,480
Special instruction	2,226,733	2,269,487	2,197,819	2,462,914	2,330,861
Other instruction	1,561,837	1,284,502	1,420,754	782,626	807,675
Support services:					
Student services	452,550	413,741	458,322	347,629	382,996
Instructional staff services	365,712	336,056	512,939	683,959	377,178
Administration services	1,644,564	1,658,418	1,473,451	1,311,237	1,416,274
Operation and maintenance of plant services	1,536,632	1,334,461	1,789,408	1,530,754	1,203,079
Transportation services	765,142	535,274	613,666	558,842	470,960
Non-instructional programs	0	0	250	1,680	30,253
Other expenditures:					
Facilities acquisitions	654,525	567,573	427,769	959,360	3,805,648
Long-term debt:					
Principal	1,825,000	1,270,000	1,385,000	2,415,000	1,280,000
Interest	299,710	333,618	373,692	491,051	545,000
AEA flow-through	439,097	423,414	412,140	410,100	411,969
Total	<u>\$ 16,537,369</u>	<u>15,191,416</u>	<u>15,191,620</u>	<u>16,010,094</u>	<u>16,960,373</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	\$ 71,002
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	254,940 *
			<u>325,942</u>
FRESH FRUIT AND VEGATABLE PROGRAM	10.582	FY 08	<u>16,610</u>
DEPARTMENT OF DEFENSE:			
POLK COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 08	<u>44</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	FY 08	<u>133,331</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 08	<u>2,640</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>4,939</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	<u>32,103</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 08	<u>9,765</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 08	<u>41,692</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>14,050</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>73,908</u>
OFFICE OF AIR AND RADIATION, ENVIRONMENTAL PROTECTION AGENCY:			
CLEAN SCHOOL BUS PROGRAM	66.034	FY 08	<u>200</u>
TOTAL			<u>\$ 655,224</u>

* Includes \$38,611 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Saydel Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Saydel Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Saydel Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 10, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saydel Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Saydel Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Saydel Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Saydel Community School District's financial statements that is more than inconsequential will not be prevented or detected by Saydel Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Saydel Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saydel Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Saydel Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Saydel Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Saydel Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2009

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Saydel Community School District

Compliance

We have audited the compliance of Saydel Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Saydel Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Saydel Community School District's management. Our responsibility is to express an opinion on Saydel Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saydel Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Saydel Community School District's compliance with those requirements.

In our opinion, Saydel Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Saydel Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Saydel Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saydel Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Saydel Community School District and other parties to whom Saydel Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2009

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Report

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiency in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Saydel Community School District did not qualify as a low-risk auditee.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted in the Student Activity Fund that the cash receipts and bank deposits were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Cash receipts at the High School are currently being prepared by the Activities Secretary and deposited by the Activities Director. Due to the limited office staff in the other schools, the deposits are prepared and deposited by the same person. We will continue to investigate alternatives to achieve adequate separation of duties.

Conclusion - Response accepted.

- II-B-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We researched several checks and found that they should have been voided in previous years. These checks were voided and removed from the outstanding check list, however, there are still many others that will require more indepth research to determine whether the checks should be reissued, voided or submitted to the State Treasurer. We will continue to work through the process to develop a plan to regularly notify vendors to whom outstanding checks were issued to assess whether the checks should be voided or reissued. We will report all unclaimed property to the State Treasurer annually by November 1st.

Conclusion - Response accepted.

- II-C-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)."

Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District receives money for the use of facilities when they are hosting district and regional events. Currently, the District's practice is to receipt rents for hosting the events into the Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

We noted library books being purchased with fundraiser money through the Student Activity Fund. Each fund is mutually exclusive and independent of any other fund. If a revenue or expenditure is specifically authorized for one fund, it is not appropriate to any other fund, unless the Code also specifically authorizes it to that fund. Chapter 279.28 of the Code of Iowa allows for the purchase of library books through the General Fund. The purchase of library books is not allowable from any other fund by Code. Therefore, the purchase of library books is not allowable with Student Activity fund revenues and the District should immediately stop this practice. If the District is conducting fundraisers for the purpose of purchasing library books, the proceeds from the fundraisers should be receipted in the fund which can legally make those expenditures. In this case, fundraising for library books should be place in the General Fund.

Currently, there is an interest account within the Activity Fund. The interest earned during the year should be allocated out to the various activity accounts, at least on an annual basis.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - We will begin depositing receipts received for facility usage from hosting regional events in the General Fund. Currently all other revenue received from facility usage is deposited in the General Fund.

It should be noted that the library book purchases were made in fiscal year 2007, but payment made in fiscal year 2008. The purchase was approved by members of the administration that are no longer with the District. However, we will review the proper use of Student Activity funds with staff so that they are aware of the restrictions on these funds. In additions, district office staff will more closely monitor purchases made with Student Activity funds to avoid inappropriate expenditures.

The interest earned by excess deposits on hand has in the past been deposited in a separate interest income account within the Student Activity fund, but has not been credited to each individual activity. This was past practice, but has now been identified as a deficiency. We will allocate the interest income to individual Student Activity accounts. The Business Manager and Activities Director will determine the frequency of this allocation.

Conclusion - Response accepted.

II-D-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process, however many of the purchase orders are actually completed after the product has been ordered and at times may be completed after receipt of the products.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the ordering of the supplies takes place.

Response - We have implemented an online purchase requisition system that addresses this issue. Teachers are to input a purchase requisition which is routed electronically to the appropriate administrator for approval. After approval, the District Office creates the purchase order and faxes the order to the vendor. This is the normal procedure; however, there are times when supplies are needed immediately. In these instances, staff members are to get verbal approval from the administrator before making the purchase. Itemized receipts are then submitted to the district office for reimbursement to the staff member.

Conclusion - Response accepted.

II-E-08 Receipting Procedures - We noted during the audit that the individuals who write receipts at the Eagles Nest are destroying the receipt books after year-end. The receipt books at all locations, not just the Eagles Nest, should be brought over to the central office for review and retention. The numeric sequence of the receipts should be used in the internal control process to identify all receipts written are subsequently deposited and recorded.

We also noted instances of deposits not being deposited into the bank until a week, sometimes a month later.

Recommendation - The District should establish compensating controls, which would include the central office personnel comparing the receipts that were turned in and deposited from the other locations to the receipts that were actually written. The District should also implement, and follow a record retention policy and keep the receipt books for at least five years.

All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - The Business Manager is currently working on an accounting manual for schools which will outline the procedure for cash receipts and record retention. A threshold will be established for receipts on hand so that when the threshold is met a deposit is made. If the threshold isn't met, then a deposit will be made on at least a weekly basis. Once the manual is complete, the Business Manager will work with the building office staff for successful implementation.

Conclusion - Response accepted.

- II-F-08 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District paid for preventative and routine maintenance which is more appropriate from the General Fund.

Recommendation - The District agreed to an audit adjustment to correct this on the financial statements. The District should review their procedures to ensure that future purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa.

Response - The purchases in question were scrutinized by the new Business Manager, however, in light of the fact that they were allowable in previous years, a correcting entry was not made. After being questioned in the audit, the appropriate correcting entry was made to charge the General Fund for the expenditures rather than the PPEL fund. The District's Building and Grounds Committee regularly reviews the expenditures from this fund to determine that accurate and appropriate expenditures are made from the fund.

Conclusion - Response accepted.

- II-G-08 Sale of Other than Real Property - It was noted that during the year the District received revenues for the sale of their bus fleet. This revenue was receipted into the Physical Plant and Equipment Levy (PPEL) Fund instead of the General Fund.

Recommendation - Chapter 297.22 of the Code of Iowa states that the sale of other than real property will be receipted into the General Fund. The District agreed to an audit adjustment to correct this on the financial statements. The District should review Chapter 297.22 of the Code of Iowa and in the future record sales of equipment in the General Fund.

Response - Again, this receipt was questioned by the Business Manager, but upon hearing differing opinions on how the receipts should be recorded, and noticing that bus proceeds were deposited in fiscal year 2007 to PPEL, no correcting entry was made to the entry made by the previous Business Manager. Upon discovery in the audit, a correcting entry was made to receipt the proceeds of the sale of buses in the General Fund rather than the PPEL fund. All receipts from the sale of the sale of other than real property will be deposited in the General Fund in the future.

Conclusion - Response accepted.

- II-H-08 Board Policies - We noted during our audit that the District had not implemented a capital asset policy. The District should implement a policy that addresses the dollar capitalization threshold and the life of assets for depreciation purposes. The policy should also address that the District should keep track of assets over \$500 for insurance purposes.

We also noted that the District hasn't implemented a cell phone policy. This policy should address the issues and requirements for employees who utilize district owned cell phones or who receive a dollar allowance for personal cell phones.

Recommendation - The District should review the policies in place and update or implement the necessary policies.

Response - The Superintendent's Policy Committee meets monthly to review board policies. Suggested policies and revisions to current policies are provided by the Iowa

Association of School Boards. We will determine if these policies are required, and if so, will adopt them.

Conclusion - Response accepted.

- II-I-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects. More specific examples included that the expenditures for the Title IIA allocation were not coded and the Safe and Drug Free grant report had duplicate expenditures reported in two fiscal years.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures. The application and final reports should be provided to the Business Manager to assist in year end financial reporting to the State.

Response - The coding for the Title IIA expenditures was corrected due to the fact that the teacher coded to the grant resigned, and a new teacher should have been assigned to the grant, but was not. This error was detected by the new Business Manager and was corrected immediately. The duplicate expenditures reported for the Safe and Drug Free grant was an error due to accrual of expenditures being made outside of the accounting system, and occurred prior to the new Business Manager's tenure.

The Business Manager provides monthly reports for the Curriculum Director's review to determine whether appropriate expenditures are coded to the correct grant or project. Any incorrect entries are corrected to the appropriate grant or project.

Conclusion - Response accepted.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

SAYDEL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we were unable to determine the publication dates of the minutes.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. If the newspaper is unwilling to provide an affidavit of publication for the minutes, then the District should obtain a copy of the newspaper for support of the publication date.

Response - We were unaware that an affidavit of publication was a requirement to determine the publication date of the minutes. The Board Secretary submits minutes to the newspaper for publication within the two weeks after each meeting. Because the newspaper charges the District for an affidavit of publication, we will keep copies of the newspaper with the date of publication as supporting documentation of the publication requirement.

Conclusion - Response accepted.

IV-G-08 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 3 of the Certified Enrollment Certification Form for October 2007 was overstated by 2.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management regarding this issue, however, these two students were resident students of Saydel on the count date. One student was a foster care student whose parents reside in the Saydel District, but whose foster parents reside in another district. Saydel was never billed by the District where the foster parents reside because the student was in the Polk

County Youth Shelter. The other student was an open enrolled student who dropped and Saydel was never billed for the days they were in attendance.

Conclusion - Response accepted.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-08 Financial Condition - The District has numerous negative student account balances within the Student Activity Fund, totaling \$59,205.91 as of June 30, 2008.

Recommendation - The District should review their procedures with regards to account balances in the Student Activity Fund. The District may want to require additional administrative approval of purchase orders for the accounts that are negative. The District should also distribute a detailed monthly financial report to the sponsor responsible for each club/organization. The sponsor should have a budget for the club/organization and should be accountable for the balance.

Response - The Business Manager and Activities Director have met on numerous occasions to discuss various account balances. We will continue to work with each group to inform them of their negative balance and to determine a workout plan to get them to a positive balance. The Activities Director has been tracking expenditures and working on a budget for athletics. The Business Manager provides the Activities Director and each school secretary a copy of the Activity report monthly with the account balances of each activity.

Conclusion - Response accepted.